

March 16, 2001

TO: School District Administrators

FROM: Gerri Ogle, Coordinator, School Administrative Services
Dale Carlson, Director, School Finance
Gary Dixon, Director, School Governance

RE: March Financial Information

Enclosures

The following documents are included in this envelope if applicable to your district:
Payment Sheets
Basic Formula Calculation

Prior Year (1999-2000) Proration Factor - Basic Formula Adjustment

Each year the prior year apportionment is recalculated from November through the following June. Therefore, the amount per eligible pupil (EP) for 1999-2000 will be recalculated each month from November, 2000 through June, 2001. There will likely be prior year corrections in each of the remaining months of the 2000-01 payment year due to continued data corrections causing a change in the 1999-2000 Line 1B proration factor. Only districts with 1999-2000 Basic Formula tax rates greater than \$2.75 are affected by the Line 1B proration factor. A detailed explanation for the prior year apportionment recalculation was provided in the November, 2000, memorandum. The 1999-2000 Line 1 proration factor has decreased from the June, 2000 factor as follows:

	PRORATION FACTOR	
	<u>Line 1A</u>	<u>Line 1B</u>
June, 2000 Calculation of the 1999-2000 Basic Formula:	1.00000000	1.00000000
Recalculation of the 1999-2000 Basic Formula:		
November, 2000	1.00000000	0.97568629
December, 2000	1.00000000	0.97506592
January, 2001	1.00000000	0.97502131
February, 2001	1.00000000	0.97503911
March, 2001	1.00000000	0.97403295

Current Year (2000-01) Proration Factor

The proration factor used on Line 1 in the March, 2001 Basic Formula calculation was 1.00. **While this factor may change every month, it is not expected to decrease below 1.00000000 through June, 2001.**

	PRORATION FACTOR	
	<u>Line 1A</u>	<u>Line 1B</u>
2000-01 Basic Formula Calculation:		
November, 2000	1.00000000	1.00000000
December, 2000	1.00000000	1.00000000
January, 2001	1.00000000	1.00000000
February, 2001	1.00000000	1.00000000
March, 2001	1.00000000	1.00000000

End-of-Year Reports

In his January 23, 2001, letter to school administrators, Dr. King explained that the state's conversion to a new computerized accounting system (known as SAM II) would impact the timing of final payments to school districts for state and federal grant programs. While DESE had been able to make final grant payments in August under the old system, the new system requires final payments to be made in July.

Therefore, the various grant sections within DESE will be providing information to school districts outlining the new deadlines for submitting the final reports for state and federal grant programs. These deadlines will be earlier than in prior years. Any questions your district may have regarding the new deadlines or payments made on the various grant programs should be directed to the applicable DESE section.

Local Tax Effort

After the School Finance Section has reviewed all districts' Annual Secretary of the Board Report (ASBR), the data are summarized into a State Annual Secretary of the Board Report for use in the state profiles, Annual Report of the Public Schools, and other documents. At that time the "local tax effort per ADA" is calculated using the district's Annual Secretary of the Board Report and Core Data ADA for the previous fiscal year.

The local tax effort per child is computed by adding the prior year tax revenue the district of domicile receives from property taxes, Intangible (Financial Institution) Taxes, M & M Taxes, In Lieu of Taxes, and State Assessed Railroad and Utility taxes, then dividing that sum by the prior year resident average daily attendance of the district of domicile.

Sections 162.740 and 167.126, RSMo, reference when the district of domicile is to pay to the educating district an amount equal to the average sum produced per child by the local tax effort of the district of domicile. The educating school district will bill the domicile district by dividing the domicile district's tax effort by the educating district's days in session and then multiplying by the number of days a student attended.

$$(\text{Domicile district's tax effort per ADA} / \text{Days in Session}) \times \text{Days Attended}$$

The 1999-2000 local tax effort per ADA will be used by most districts and agencies for billing in the 2000-2001 year. The 1999-2000 local tax effort per ADA is available at the School Finance Home Page, Special Reports, at this address: <http://www.dese.state.mo.us/divschsvc/finance/special.html>. Select 2000-2001 Local Tax Effort Calculation.

Questions on this calculation and/or billing may be directed to the School Finance Section at (573) 751-0357.

2001-02 Income Factor

The 2001-02 Income Factor is now available at the School Finance Home Page, Special Reports, at this address: <http://www.dese.state.mo.us/divschsvc/finance/special.html>. This information will not be mailed to each individual school district. The 2001-02 factor is computed from the 1999 individual income tax returns filed with the Missouri Department of Revenue. The tax return includes a three-digit field to enter the school district number of the tax filer. The Department of Revenue attempted to match the ZIP Code of the filer with the school code to determine if the ZIP Code was valid for that school district.

2001-02 Proposition C Sales Tax Payment Projection

The 2001-02 Governor's budget request reflects projected Proposition C revenue at \$700,435,389. The 2001-02 payment eligible pupils for Proposition C are estimated at 887,000. The 2001-02 estimated Proposition C payment is \$789.67 per eligible pupil (\$700,435,389 ÷ 887,000). Economic factors and actual 2000-01 EP will affect this number. Be as conservative or optimistic as you choose.

2001-02 Fair Share Payment Projection

The 2001-02 Governor's budget request reflects projected Fair Share revenue at \$23,835,000. The 2001-02 payment average daily attendance for Fair Share is estimated at 867,000. The 2001-02 estimated Fair Share payment is \$27.49 per average daily attendance ($\$23,835,000 \div 867,000$). Economic factors and actual 2000-01 ADA will affect this number. Be as conservative or optimistic as you choose.

2001-02 Free Textbook Payment Projection

The 2001-02 Governor's budget request reflects projected Free Textbook revenue at \$75,724,700. With a projected September membership of 900,000, the 2001-02 estimated Free Textbook payment is \$84.14 per September 2000 FTE membership ($\$75,724,700 \div 900,000$). Economic factors and actual September 2000 FTE membership will affect this number. Be as conservative or optimistic as you choose.

Placement by Fund of Private Car Tax (State Assessed Railroad & Utilities)

The guidance on page 107 of the **Missouri Financial Accounting Manual** concerning the placement of Private Car Tax indicates placement of this receipt into the General or Special Revenue Fund at the discretion of the local board. **This is incorrect.** The State Tax Commission has advised School Finance that the Private Car Tax should be placed in exactly the same manner as other State Assessed Railroad and Utility receipts. The apportionment is based on the average rate of taxation as described in Section 151.150, RSMo. The district may wish to contact the county to discuss the placement and reporting by the county of Private Car Tax. School Finance expects the county to report this revenue to the district as State Assessed Railroad and Utility (Private Car Tax) and include it as a part of State Assessed Railroad and Utilities Total reported to DESE on the **Annual Report of the County Clerk to the State Board of Education**. Reporting of this revenue differently by the county to DESE than to the districts will result in 2000-01 ASBR edits that must be resolved.

2000-01 Annual Secretary of the Board Report

The 2000-01 Annual Secretary of the Board Report (ASBR) will no longer be available by program diskette or download from the Internet. A new reporting format is under development that will allow the collection of ASBR data through several Internet web pages designed along the lines of the existing PC ASBR program data entry pages with which school districts are familiar. A district will have two options for entering on the web screens. One option allows the district to submit the ASBR .txt files through the file transfer protocol (FTP) process to DESE. This requires the district's accounting program vendor to modify its existing end-of-year program to create the required .txt files for use in the ASBR. All vendors who have indicated to DESE an interest in creating the appropriate files for the ASBR have been mailed a copy of the new ASBR file specifications. The district may want to contact its vendor to see if plans are being made to modify the program. If the vendor does not modify the file structure, the district will not be able to use the FTP process for entering data. The second option for entering data is the hand keying of all ASBR data. This option will be used if the district is unable to use the FTP process.

August 15 is the required submission date for the 2000-01 ASBR. Do not wait until the last minute to work on the ASBR for submission to DESE. The district may FTP or hand key ASBR data anytime after the web program is released for district use. Placing data on the web site does not constitute an official submission meeting the August 15th deadline. Placing the data on the various web pages will allow the district to edit the data, making changes as necessary. A major change in the web format revolves around the edit process. Over 200 warnings and errors have been written in the program to identify potential data problems. The 2000-01 ASBR may be "submitted" with warnings. It cannot be "submitted" with errors. All errors must be corrected before the system will accept a "submission". Errors generally involve specific data that have been provided the district such as transfer amounts. Other errors that require correction are column and line total errors between the various parts of the report. The 2000-01 ASBR web version should be available the last week of June. As previously stated, do not wait until the submission deadline to start on the report.

2001-02 Basic Formula Budgeting

While other organizations may be recommending a proration factor greater than 1.00 for the 2001-02 payment year, **DESE recommends using a proration factor no greater than 1.00 in the district's 2001-02 budgeting!** The \$78 million increase requested for 2001-02 represents the amount DESE believes will be necessary to maintain funding of the Basic Formula and Line 14 at a proration factor of 1.00. DESE did not request an increase to the Basic Formula and Line 14 with the intent of having a proration factor greater than 1.0. The amount requested may appear too conservative, but the assumptions used in determining the \$78 million were based on the data available at the time the request was submitted. Because the various factors used to estimate the amount of state dollars required to fund the Basic Formula and Line 14 at 1.0 are approximately two-year projections, it is impossible to accurately estimate the dollar requirement required to fund these at 1.0. School districts may be receiving advice on what the proration factor will be in 2001-02 and how to expend or budget the increased revenue amounts generated above a proration of 1.0. The debate on the proration factor can be misleading and, without full understanding of the implications, may place a district in a precarious financial position. A district should be very cautious when implementing any advice to expend Basic Formula or Line 14 revenue above 1.0 for recurring or long-term commitments.

Districts have their own specific formula data at this point in the year and should calculate the projected 2001-02 Basic Formula and Line 14 monies using that data, a proration factor no greater than 1.0, and the 2001-02 GTB of \$134,855 (GTB for Line 14B remains at \$119,163). DESE recommends the district calculate the 2001-02 Basic Formula and Line 14 monies using the formula calculation tool on the web or by hand in order to reflect realistic state revenues in its 2001-02 budget for adoption in June 2001. Carefully calculating these revenues may also help the district consider adjustments to its salary schedule that will not lock the district into higher recurring expenditures than it can afford. **(Do NOT use an assumed percentage increase in Basic Formula and Line 14 for your district!)** DESE does not have all the district specific formula data (including the 2001-02 tax rates) at this point to give projections or simulations. New legislation always has the potential to impact the Basic Formula and Line 14 calculations so districts should monitor the impact of these possible changes.

Estimated Eligible Pupils

Section 163.036, RSMo, authorizes districts to be paid in the Basic Formula on the greater of the current year estimated eligible pupils (EP), the first preceding year actual EP, or the second preceding year actual EP. For example, during the 2000-01 year, districts may be paid on the greater of the 1998-99 EP, the 1999-2000 EP, or the estimated 2000-01 EP. The DESE Basic Formula computer program will compare the three numbers and use the highest. No special request by the district is needed.

The district may have entered an estimated EP number for 2000-01 on the August Core Data Screen 2 or may now submit a screen print of Screen 2 with the Estimated EP field completed and highlighted. The Estimated Eligible Pupil field on Screen 2 should only be completed if the district expects the 2000-01 EP to be greater than the actual 1998-99 or 1999-2000 EP. If the district entered an estimated EP number on Screen 2 of the 2000-01 August Core Data that is less than or equal to the actual EP for 1998-99 or 1999-2000, the district should revise Screen 2 and delete the estimated EP amount. Send a revised screen print to the School Finance Section. Estimates or revisions to estimates must be submitted by May 15, 2001.

NOTE: Although a district should be careful not to overestimate its 2000-01 EP, if the district's attendance data for the 2000-01 regular year plus the 2000 summer school ADA doubled yields a projected EP greater than the EP currently being used in the 2000-01 Basic Formula, the district should seriously consider submitting an estimate by May 15. It is important for the June 2000-01 calculation to reflect as accurate an EP as possible (the greater of the actual 1998-99, actual 1999-2000, or estimated 2000-01 EP).

1999-2000 Audit Report Filing

The school district is responsible for sending to School Finance a copy of the audit report, accompanying management letter issued by the independent auditor, if applicable, and a copy of the board minutes indicating

approval of the audit report. If the district has not yet submitted these items for 1999-2000, please forward them to School Finance as soon as possible.

Remediation Attendance Hours and Read to be Ready Program Attendance Hours

Section 167.640, RSMo, discusses student promotion and remediation. Section 167.640.1, RSMo states:

“School districts may adopt a policy with regard to student promotion which may require remediation as a condition of promotion to the next grade level for any student identified by the district as failing to master skills and competencies established for that particular grade level by the district board of education.”

Section 167.640.3, RSMo states:

“School districts providing remediation pursuant to this section outside of the traditional school day may count extra hours of instruction in the calculation of average daily attendance as defined in section 163.011, RSMo.”

The question “*what attendance hours count toward the inclusion of additional attendance hours?*” has been asked numerous times. The previously quoted section of the law states that the additional attendance hours outside the traditional school day are for those students requiring remediation as a condition for promotion to the next grade level based on the district developed policy to identify such students. While your district may have had an after-school tutoring program in place for several years to meet the varying needs of students, that program may not correspond to the remedial program based on district policy as required in Section 167.640.1, RSMo. After-school programs not specifically addressing remediation as a condition for promotion should not be recorded on Screen 14/14A as Remedial Hours. Remediation outside the regular school day for Step 1 students can also be counted for additional attendance hours.

If your district is providing remediation during the 2000-01 year as described in Section 167.640, RSMo according to the district’s policy, the attendance hours of those students in such instruction outside the normal school day must be recorded separately from the students’ normal school day attendance. These attendance hours will be reported in the June Core Data cycle as REMEDIAL HOURS on Screens 14 and 14A.

In addition, Section 167.340, RSMo, establishes the “Read to be Ready Program”. Section 167.340.2, RSMo states:

“Beginning July 1, 2000, if a school district provides reading improvement instruction for students in kindergarten through third grade who do not meet the district’s objectives for reading as demonstrated by performance on the district’s chosen methods of reading assessment, such students who receive reading improvement instruction pursuant to this subsection may be counted for additional average daily attendance for state school aid during their reading improvement instruction time if such time falls outside normal school hours.”

Beginning with the 2000-2001 year, if your district provides reading improvement instruction for students in grades kindergarten through three, the attendance hours of those students in such instruction outside the normal school day must be recorded separately from the students’ normal school day attendance. Guidelines for this program have been developed by the Division of Instruction.

SCHOOL GOVERNANCE

Minimum Requirements for School Bus Chassis and Body

The State Board of Education will consider during its March board meeting a Notice of Rulemaking to amend Rule 5 CSR 30-261.025, Minimum Requirements for School Bus Chassis and Body. The recommended 2002 *Minimum*

Standards for School Buses can be found on the department's transportation web page. The specifications will apply to school buses with a body tag "build date" after June 30, 2002. Please feel free to download and copy the recommended 2002 *Minimum Standards for School Buses*.

An amendment to the minimum standards rule occurs at least every five years following the National Conference on School Transportation. This conference was held May 14-18, 2000, at the Safety Center at CMSU in Warrensburg. Following the National Conference, a fourteen member Minimum Standards Technical Advisory Committee was formed to study the National Conference recommendations and changes in Federal Motor Vehicle Safety Standards, and to make recommendations concerning new standards for Missouri.

The amended rule will be published in the *Missouri Register* on May 1, 2001. Anyone may file a statement in support of or in opposition to the proposed amendment with the Department of Elementary and Secondary Education by writing Gary Dixon, Director of School Governance, P.O. Box 480, Jefferson City, Mo 65102. To be considered, the comments must be received between May 1 and May 31, 2001.

Boundary Change

If there is a change in your school district's boundary following the April election, please send a copy of the ballot with the legal description of the boundary change to the School Governance Section.

Boundary Change Appeal to State Board

In case a district is involved in a boundary change appeal to the State Board of Education the district must adhere to the time line for their appeal as defined in state law. Section 162.431.3, RSMo states, "If one of the districts votes against the change and the other votes for the change, the matter may be appealed to the state board of education, in writing, within fifteen days of the submission of the question by either one of the districts affected, or in the above event by a majority of the signers of the petition requesting a vote on the proposal. At the first meeting of the state board following the appeal, a board of arbitration composed of three members, none of whom shall be a resident of any district affected, shall be appointed." For additional information concerning the appeal process refer to Section 162.431, RSMo or call the School Governance Section at (573) 526-6949.